

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08  
FRB-03 INR-10 NSAE-00 SP-02 STR-07 TRSE-00 LAB-04  
SIL-01 OMB-01 L-03 SS-15 NSC-05 /078 W  
-----001463 231825Z /50

R 231659Z FEB 78  
FM AMEMBASSY PARIS  
TO SECSTATE WASHDC 7265  
INFO AMEMBASSY BONN  
AMEMBASSY BRUSSELS  
AMEMBASSY COPENHAGEN  
AMEMBASSY DUBLIN  
AMEMBASSY LONDON  
AMEMBASSY LUXEMBOURG  
AMEMBASSY ROME  
AMEMBASSY THE HAGUE  
AMEMBASSY BELGRADE  
AMEMBASSY MOSCOW

C O N F I D E N T I A L SECTION 01 OF 02 PARIS 06355

BRUSSELS ALSO FOR USEEC

E.O. 11652: GDS  
TAGS: ETRD EGEN EEC EWWT EFIN YO  
SUBJ: YUGOSLAV ECONOMIC RELATIONS WITH EC AND US

REF: (A) 77 STATE 301332; (B) BELGRADE 714;  
(C) BELGRADE 715; (D) BRUSSELS 794;  
(E) BRUSSELS 2617

1. SUMMARY: WE HAVE DISCUSSED YUGOSLAVIA WITH A  
RESPONSIBLE OFFICER OF THE QUAI'S ECONOMIC COOPERATION  
SERVICE. OUR CONVERSATION PRODUCED A CLEAR IDENTITY  
OF VIEWS REGARDING THE NEED TO KEEP BELGRADE'S  
ECONOMIC OPTIONS IN THE WEST VIABLE. HOWEVER, OUR  
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SOURCE SAID HE KNEW OF NO NEW IDEAS BEING CONTEMPLATED  
AT CURRENT EC/YUGOSLAV TALKS AT BRUSSELS WHICH WOULD  
ASSURE THIS EVENTUALITY WHILE THE USSR INCREASES ITS  
ABILITY TO ABSORB YUGOSLAV EXPORTS AND WESTERN  
EUROPE'S POSSIBILITIES ARE LIMITED. THE COMMUNITY, HE  
SAID, WOULD CONTINUE TO TREAT YUGOSLAVIA AS A SPECIAL  
CASE AND WOULD BE AS LIBERAL AS POSSIBLE IN NOT

PUSHING FOR CONCESSIONS WHICH WOULD FURTHER WIDEN  
BELGRADE'S \$2.4 BILLION 1977 TRADE DEFICIT WITH THE  
EC. MORE EUROPEAN INVESTMENT BANK ACTIVITY WILL BE  
ENCOURAGED, BUT DISCUSSIONS RE BALANCE OF PAYMENTS  
ASSISTANCE WILL CONTINUE TO BE EXCLUDED BY YUGOSLAVS.  
SOURCE STRESSED THAT FRANCE WAS NEVERTHELESS UNDER NO  
ILLUSION THAT TRADE OPTIONS WITH THE WEST -- NO  
MATTER HOW VIABLE -- COULD ALTER THE BASIC  
POLITICO-MILITARY FACTS WHICH LINK YUGOSLAVIA TO  
EASTERN EUROPE. END SUMMARY.

2. ON FEB 21, EMBASSY OFFICERS LUNCHEDED WITH PATRICK  
O'CORNESSE, DEPUTY DIRECTOR OF THE FOREIGN MINISTRY  
OFFICE DIRECTLY RESPONSIBLE FOR FRENCH-EC ECONOMIC  
AFFAIRS. YUGOSLAVIA WAS A PRINCIPAL TOPIC OF  
DISCUSSION, WITH THE POINT OF DEPARTURE BEING THE  
RECENTLY BEGUN EC/YUGOSLAV TALKS IN BRUSSELS AIMED AT  
CONCLUDING A NEW FIVE-YEAR AGREEMENT. WE STRESSED  
THE POLITICAL DIMENSION OF YUGOSLAVIA'S PRESENT AND  
FUTURE ECONOMIC TIES WITH THE WEST IN GENERAL AND EUROPE  
IN PARTICULAR SINCE US SHARE OF TRADE WAS ONLY ABOUT  
5 PERCENT. O'CORNESSE AGREED, AND BOTH PARTIES THUS  
QUICKLY FOUND THEMSELVES ON SAME SIDE OF ARGUMENT  
REGARDING NEED TO KEEP THEIR TRADE AND OTHER ECONOMIC  
RELATIONS WITH BELGRADE OPEN AND HEALTHY.

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3. AFTER HAVING AGREED TO OUR DEFINITION OF THE PROBLEM,  
O'CORNESSE WENT ON TO DESCRIBE THE EC'S CURRENT  
QUANDARY MANIFESTED IN AN INEXORABLE GROWTH OF

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C O N F I D E N T I A L SECTION 02 OF 02 PARIS 06355

YUGOSLAV/SOVIET TRADE STEMMING FROM RUSSIAN STATE-  
TRADING POLICIES. SOVIETS TAKE EVER-GREATER QUANTITIES  
OF YUGOSLAV EXPORTS, WHILE THE EC -- BEING BOUND BY  
COMMERCIAL CONSIDERATIONS -- CAN NOT KEEP PACE. HE  
STRESSED FRANCE'S FULL SUPPORT OF EC GRANTING  
CONTINUED SPECIAL TRADE TREATMENT WHICH YUGOSLAVS  
INSIST THEY WARRANT. NINE, HE SAID, WILL NOT BE PUSHING  
FOR CONCESSIONS WHICH COULD HAVE EFFECT OF FURTHER  
WIDENING BELGRADE'S \$2.4 BILLION 1977 COMMERCIAL  
ACCOUNT DEFICIT WITH EC. HE NOTED, HOWEVER, THAT WORKER  
REMITTANCES AND TOURISM ARE LIKELY AGAIN THIS YEAR TO  
BE HARD-PUT TO OFFSET THIS COMMERCIAL DEFICIT. PRIOR  
SPECIAL ARRANGEMENTS IN YUGOSLAVIA'S FAVOR, LIKE THAT  
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FOR BABY BEEF, ARE MOST LIKELY TO BE CONTINUED AT  
CURRENT LEVELS, BUT O'CORNESSE ADDED THAT PREVAILING  
ATMOSPHERE OF RECESSION WOULD MAKE DIFFICULT ANY  
INCREASED EC CONCESSIONS IN THESE SPECIFIC AREAS.

4. BEYOND HIS WILLINGNESS TO SEE CONTINUED LIBERAL  
TREATMENT OF EC/YUGOSLAV TRADE WITHIN THE SAME  
FRAMEWORK AND AT THE SAME GENERAL LEVELS AS THOSE  
PERTAINING TO EXISTING CONCESSIONARY ARRANGEMENTS,  
O'CORNESSE SAID HE KNEW OF NO NEW IDEAS BEING  
CONTEMPLATED AT THE CURRENT BRUSSELS TALKS. HE  
INDICATED THERE WAS CURRENTLY NO ASSURANCE OF THE  
FUTURE GROWTH OF BELGRADE'S ECONOMIC OPTIONS IN THE  
WEST TO A DEGREE WHICH COULD PROVIDE MUCH REAL  
LEVERAGE AGAINST SOVIET STATE-TRADING POLICIES. THE  
EUROPEAN INVESTMENT BANK, HE SAID, WILL BE ENCOURAGED

TO INCREASE ITS LEVEL OF ACTIVITIES IN YUGOSLAVIA,  
BUT TRADITIONAL RED TAPE WILL STILL ENCUMBER  
INVESTMENT CAPITAL, AND OF COURSE GOY POLICY WILL NOT  
PERMIT DISCUSSIONS OR NEGOTIATIONS WITH THE WEST  
ON DIRECT BALANCE OF PAYMENTS PROBLEMS.

5. IN CONCLUSION, O'CORNESSE ADDED THAT FRANCE WAS  
UNDER NO ILLUSION THAT TRADE OPTIONS WITH THE WEST --  
NO MATTER HOW VIABLE -- COULD ALTER THE BASIC POLITICO-  
MILITARY FACTS WHICH LINK YUGOSLAVIA TO EASTERN EUROPE.  
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## Message Attributes

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**Copy:** SINGLE  
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**Decaption Date:** 01 jan 1960  
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**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Executive Order:** GS  
**Errors:** N/A  
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**Review Exemptions:** n/a  
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**Secure:** OPEN  
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**TAGS:** ETRD, EGEN, EWWT, EFIN, PGOV, YO, EEC  
**To:** STATE  
**Type:** TE  
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